

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF NORWAY	County DICKINSON
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 31, 2006	Date Audit Report Submitted to State SEPTEMBER 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) FLEURY, SINGLER & COMPANY PC		Telephone Number 906-774-0833	
Street Address 301 STEPHENSON AVENUE		City IRON MOUNTAIN	State MI
Zip 49801			
Authorizing CPA Signature 	Printed Name DAVID J KNOKE	License Number MI 1101010481	

May 31, 2006

To the Honorable Supervisor and the Township Board
of the Township of Norway

In planning and performing our audit of the financial statements of the Township of Norway for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township of Norway's ability to initiate, record, process, and report financial data consistent with the assertions of the management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matter that might be reportable conditions. In addition, because of inherent limitation in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described below are believed to be a material weakness.

During our audit we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

CURRENT TAX COLLECTION FUND

The audit process disclosed significant deficiencies in the procedures and management of funds deposited and ultimately disbursed from the Current Tax Collection Fund. The Township treasurer is the Township's agent for collection of taxes. Significant taxes are collected by the treasurer each year and are remitted to various governmental units including Dickinson County, Norway-Vulcan Schools, Intermediate School District, North Alert Ambulance Authority, Carney Lake Associates and the Township. Quoting a Michigan Township Association manual, "It is very important that the Township treasurer diligently maintain accurate records of all income, receipts and disbursements..." In addition, the Township treasurer is required to remit tax collections (collected as agent) to the various governmental units in a time period prescribed by Michigan regulations. Upon the initial review of the Current Tax Collection Fund, we determined that the records were not maintained sufficiently enough for us to perform normal audit procedures. Township officials were aware of tax collection problems before our involvement. Extensive accounting work was performed by Township officials in reconstructing the tax collection records for summer and winter collections of 2005.

Fleury, Singler & Company performed significant analysis work in determining which government units were still owed monies and which governmental units were overpaid to help the Township collect/remit these funds. Fleury, Singler & Company received cooperation from the Dickinson County treasurer and Township officials while performing these non-audit procedures. Because of the errors in disbursement of these funds, it was noted that tax payments were not always remitted on a timely basis. Overall, these problems caused significant additional costs to the Township in the ultimate resolution of these matters.

Fleury, Singler & Company strongly suggests that proper procedures be followed in the management and control of tax collections at the Township. The local treasurer is responsible for the collection and disbursement of over \$1,100,000. This is a significant amount and should be accounted for in a controlled environment. Much of the internal controls are in place and need only be performed consistently and regularly.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the March 31, 2006 financial statements, and this report does not affect our report on those financial statements dated May 31, 2006. We have not considered the internal control since the date of our report.

This report is intended solely for the information and use of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, or to assist you in implementing the recommendations.



Certified Public Accountants

May 31, 2006

TOWNSHIP OF NORWAY, MICHIGAN

Financial Report

With Supplemental Information

March 31, 2006

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INDEPENDENT AUDITORS' REPORT

The Honorable Supervisor and Township Board
Township of Norway
Vulcan, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the **TOWNSHIP OF NORWAY, MICHIGAN** as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **TOWNSHIP OF NORWAY, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **TOWNSHIP OF NORWAY, MICHIGAN** as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2005.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

May 31, 2006

TOWNSHIP OF NORWAY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2006

Within this section of the Township of Norway, Michigan's financial report, the Township's management provides narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. The Township's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Please read this management's discussion and analysis in conjunction with the Township's financial statements.

Financial Highlights

- The Township's assets exceeded its liabilities by \$908,024 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 1. Capital assets of \$254,261 include property and equipment, net of accumulated depreciation.
 2. Net assets of \$351,598 are restricted and reserved for perpetual care.
 3. Unrestricted net assets of \$302,165 represent the portion available to maintain the Township's continuing obligations to citizens and creditors.
- The Township's governmental funds reported total ending fund balances of \$653,763 compared to the prior year ending fund balances of \$642,691, an increase of \$11,072 during the current year.
- During the year, program and governmental revenues totaled \$350,135 and governmental expenses totaled \$346,637.
- General fund revenues exceeded expenditures by \$34,856.
- Fire and roads fund expenditures exceeded revenues by \$7,163.
- Cemetery fund expenditures exceeded revenues by \$19,471.
- Perpetual care fund revenues exceeded expenditures by \$2,850.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Township also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Township's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall economic health of the Township would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Township infrastructure in addition to the financial information provided in this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (continued)

The second government-wide financial statement is the **Statement of Activities**, which reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and intergovernmental revenues. Governmental activities include general government, sanitation, street lighting, recreation, public transportation, public safety, and cemetery services.

The Township's financial reporting entity includes the funds of the Township (primary government).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most important funds rather than the Township as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. All of the Township's funds are considered major funds in the current year.

The Township has two types of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide financial statements to assist in understanding the differences between these two perspectives.

Fiduciary Funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to Township programs. Fiduciary funds include a special assessment agency fund and a current tax collection fund.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Budgetary comparison statements are included in the basic financial statements for the general fund, the fire and roads fund, and the cemetery fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Township as a Whole

Net assets of the current year are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Assets		
Current assets	\$ 668,770	\$ 167,288
Noncurrent assets	254,261	-
Total assets	923,031	167,288
Liabilities		
Current liabilities	15,007	167,288
Long-term liabilities	-	-
Total liabilities	15,007	167,288
Net assets		
Investment in capital assets	254,261	-
Restricted	351,598	-
Unrestricted	302,165	-
Total net assets	\$ 908,024	\$ -

Changes in net assets during the current year are as follows:

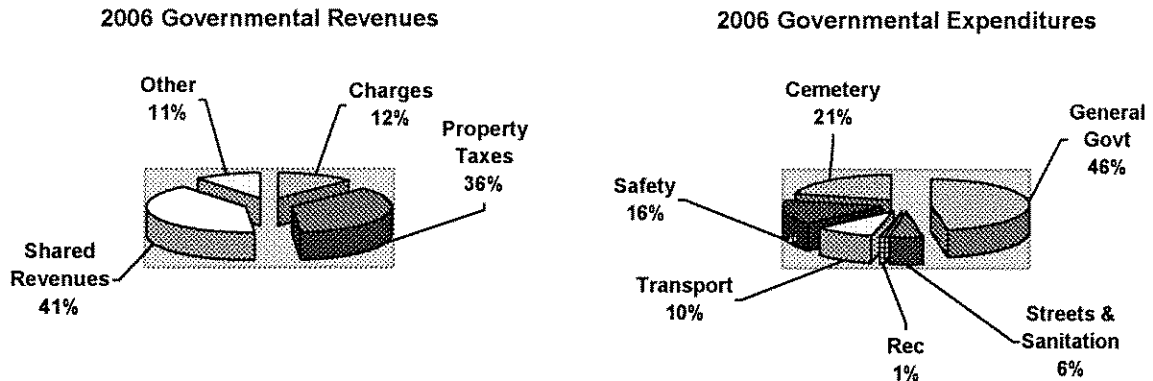
	<u>Governmental Activities</u>
Revenues	
Program revenue	
Charges for services	\$ 43,442
General revenue	
Property taxes	127,130
State shared revenues	141,997
Other	25,354
Interest	12,212
Total revenues	\$ 350,135
Program expenses	
General government	\$ 163,868
Sanitation	794
Street lighting	18,696
Recreation	2,111
Public transportation	33,979
Public safety	54,816
Cemetery	72,373
Total program expenses	\$ 346,637
Change in net assets	\$ 3,498

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Township as a Whole (Continued)

Graphic presentations of selected data follow to assist in the analysis of the Township's activities for the current year:

Governmental Activities



The above charts do not include transfers.

Financial Analysis of the Township's Funds

Governmental Funds - The Township's general fund reported a fund balance of \$273,977, an increase of \$4,856 over prior year. The fire and roads fund reported a fund balance of \$21,827, an increase of \$2,837 over prior year. The cemetery fund reported a fund balance of \$6,361, an increase of \$529 over prior year. The perpetual care fund reported a fund balance of \$351,598, an increase of \$2,850 over prior year.

Fiduciary Funds - The Township's special assessment agency fund reported \$149,462 due to the Norway Utilities Authority. The current tax collection fund reported \$17,826 due to other governmental units.

Fund Budgetary Highlights

The adopted general fund budget expected a reduction to fund balance for the fiscal year of approximately \$127,000. Over the course of the year, the Township amended the budget to account for events during the year; however, the overall net budget remained the same. Budgetary amendments were relatively minor. Actual results for the year were much more favorable than budgeted for. Instead of a budgeted decrease of approximately \$127,000, the actual activities resulted in an increase in fund balance of approximately \$5,000.

The fire and roads fund and cemetery fund also adopted budgets for the fiscal year. Each budget expected a net change in fund balance of \$0. Actual results were not significantly different from the net activities of these funds. Other financing sources were expected to cover the excess of expenditures over revenues. There were no amendments to these budgets during the year.

Capital Asset Administration

The Township's investment in capital assets, net of accumulated depreciation, for governmental activities as of March 31, 2006 was \$254,261. Capital asset additions during the current fiscal year included a snow thrower and park improvements. Capital assets as stated in this annual financial report do not include prior year infrastructure items to be included such as sidewalks. Financial reporting in past years has not required infrastructure items to be included with capital assets. Recognizing the problem of having governmental units gather all of the required information, GASB has allowed smaller governmental units like the Township to report infrastructure assets on a prospective basis after adopting the new reporting standard. There were no infrastructure additions during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain the same. Employee wages, utility costs, road maintenance, and contracted fire services make up a significant portion of the Township's expenditures. The Township's 2007 budget includes an \$80,000 grant related to a park project. The Township expects to expend an additional \$50,000 related to this project. The Township has also budgeted \$70,000 for an anticipated road project.

Contacting the Township's Financial Management

The financial report is designed to provide a general overview of the Township's finances and demonstrate the Township's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906) 563-9100.

TOWNSHIP OF NORWAY
STATEMENT OF NET ASSETS
MARCH 31, 2006

Assets	Governmental Activities
Cash and cash equivalents	\$ 204,985
Certificates of deposit	436,893
Taxes receivable	12,342
Other receivables	12,987
Prepaid expenses	1,563
Capital assets	<u>254,261</u>
Total assets	923,031
 Liabilities and Net Assets	
Liabilities	
Accounts payable	5,735
Accrued wages	994
Due to other governmental units	5,392
Other	<u>2,886</u>
Total liabilities	<u>15,007</u>
 Net assets	
Investment in capital assets	254,261
Restricted - reserved for perpetual care	351,598
Unrestricted	<u>302,165</u>
Total net assets	<u>\$ 908,024</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

			Governmental Activities
		Program Revenues	Net (Expense)
	Expenses	Charges for Services	Revenue and Changes in Net Assets
Functions/Programs			
Governmental activities			
General government	\$ 163,868	\$ 43,442	\$ (120,426)
Sanitation	794	-	(794)
Street lighting	18,696	-	(18,696)
Recreation	2,111	-	(2,111)
Public transportation	33,979	-	(33,979)
Public safety	54,816	-	(54,816)
Cemetery	72,373	-	(72,373)
Total governmental activities	<u>\$ 346,637</u>	<u>\$ 43,442</u>	(303,195)
General revenues			
Property taxes			127,130
State shared revenues			141,997
Other			25,354
Interest			12,212
Total general revenues			<u>306,693</u>
Change in net assets			3,498
Net assets - Beginning of year			<u>904,526</u>
Net assets - End of year			<u>\$ 908,024</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2006

	General Fund	Fire & Roads Fund	Cemetery Fund	Permanent Fund Perpetual Care	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 164,255	\$ 17,656	\$ 6,991	\$ 16,083	\$ 204,985
Certificates of deposit	100,000	-	1,394	335,499	436,893
Taxes receivable	4,929	7,413	-	-	12,342
Other receivables	12,987	-	-	-	12,987
Prepaid expenses	1,563	-	-	-	1,563
Due from other funds	-	-	134	150	284
Total assets	\$ 283,734	\$ 25,069	\$ 8,519	\$ 351,732	\$ 669,054
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 4,877	\$ -	\$ 858	\$ -	\$ 5,735
Accrued wages	868	-	126	-	994
Due to other governmental units	2,150	3,242	-	-	5,392
Other	1,862	-	1,024	-	2,886
Due to other funds	-	-	150	134	284
Total liabilities	9,757	3,242	2,158	134	15,291
Fund balances					
Reserved for Perpetual Care	-	-	-	351,598	351,598
Unreserved - reported in					
General fund	273,977	-	-	-	273,977
Special revenue funds	-	21,827	6,361	-	28,188
Total fund balances	273,977	21,827	6,361	351,598	653,763
Total liabilities and fund balances	\$ 283,734	\$ 25,069	\$ 8,519	\$ 351,732	\$ 669,054

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

MARCH 31, 2006

Fund Balances - Total Governmental Funds	\$	653,763
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Amounts reported for governmental activities in the statement of net assets are
different because:

Capital assets \$510,649, net of accumulated depreciation of (\$256,388) used
in governmental activities are not financial resources and are not reported in the
governmental funds

254,261

Net Assets - Governmental Activities

\$	908,024
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See accompanying notes to financial statements.

TOWNSHIP OF NORWAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2006

	General Fund	Fire & Roads Fund	Cemetery Fund	Permanent Fund Perpetual Care	Total Governmental Funds
Revenues					
Property taxes	\$ 50,422	\$ 76,708	\$ -	\$ -	\$ 127,130
State shared revenues	137,979	4,018	-	-	141,997
Charges for services	-	-	37,342	-	37,342
Other	25,354	-	11,045	2,850	39,249
Interest	3,109	906	402	7,795	12,212
Total revenues	216,864	81,632	48,789	10,645	357,930
Expenditures					
Current					
General government	149,679	-	-	-	149,679
Sanitation	794	-	-	-	794
Street lighting	18,696	-	-	-	18,696
Recreation	1,748	-	-	-	1,748
Public transportation	-	33,979	-	-	33,979
Public safety	-	54,816	-	-	54,816
Cemetery	-	-	67,310	7,795	75,105
Capital outlay	11,091	-	950	-	12,041
Total expenditures	182,008	88,795	68,260	7,795	346,858
Excess of revenues over (under) expenditures	34,856	(7,163)	(19,471)	2,850	11,072
Other financing sources (uses)					
Operating transfers in	-	10,000	20,000	-	30,000
Operating transfers out	(30,000)	-	-	-	(30,000)
Total other financing sources (uses)	(30,000)	10,000	20,000	-	-
Net change in fund balances	4,856	2,837	529	2,850	11,072
Fund balances - Beginning of year	269,121	18,990	5,832	348,748	642,691
Fund balances - End of year	\$ 273,977	\$ 21,827	\$ 6,361	\$ 351,598	\$ 653,763

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 11,072
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; these costs are allocated over their estimated useful lives as depreciation	12,041
Capital assets used in governmental activities are not considered financial resources; depreciation recorded on those assets	<u>(19,615)</u>
Change in Net Assets - Governmental Activities	<u>\$ 3,498</u>

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

	Special Assessment Agency Fund	Current Tax Collection Fund
Assets		
Cash and cash equivalents	\$ 15,180	\$ 17,826
Certificates of deposit	134,282	-
Total assets	149,462	17,826
Liabilities and Net Assets		
Liabilities		
Due to Norway Utilities Authority	149,462	-
Due to other governmental units	-	17,826
Total liabilities	149,462	17,826
Total net assets	\$ -	\$ -

See accompanying notes to financial statements.

TOWNSHIP OF NORWAY

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting policies of the Township of Norway, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Norway, Michigan.

REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township (the primary government) that are controlled by or dependent on its executive or legislative branches. The Township's major operations include cemetery, fire protection, public transportation, sanitation, recreation, street lighting, and general administration services. The Township has no component units at March 31, 2006.

Excluded from the reporting entity is the Norway Utilities Authority. A special assessment fund is included in the financial statements and is accounted for as a fiduciary fund. These monies are payable to the Norway Utilities Authority as part payment for bond principal and interest payments issued by the Authority. The Authority's governing board selects management staff, establishes budgets, and controls all aspects of its own operations.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Each governmental fund of the Township has been determined to be a major fund, as that term is defined by the Governmental Accounting Standards Board (GASB).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Property taxes and charges for services associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund - The general fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire and Roads Fund - The fire and roads fund accounts for revenues that are required to be expended for Township fire protection and road maintenance.

Cemetery Fund - The cemetery fund accounts for the revenues and expenditures associated with the operations of the community cemetery.

Perpetual Care Permanent Fund - The perpetual care permanent fund is used to account for principle trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery. The permanent fund is used to report resources that are legally restricted to the extent that only earnings, no principal, may be used for purposes that support the reporting government's program.

The Township reports the following fiduciary funds:

Special Assessment Agency Fund - The special assessment agency fund is used to account for trust arrangements under which principal or interest benefit other governmental agencies. The funds included on the statement of fiduciary net assets (excluded from the government-wide financial statements) are payable to the Norway Utilities Authority (described above).

Current Tax Collection Fund - The current tax collection fund is used to account for the collection of property taxes by the Township that are remitted to various local governmental agencies and the Township itself. The fund is an agency fund; which is custodial in nature; that is, assets equal liabilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

ASSETS, LIABILITIES AND NET ASSETS

Cash and Cash Equivalents - Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Township. These include cash on hand and demand deposits.

Investments - Investments are stated at fair value. They include certificates of deposit with a maturity date of three months or greater at time of purchase.

Receivables and Payables - In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Receivables include property taxes and other related fees due from other local governmental units. Payables include amounts due to employees, local vendors, and other local governmental units.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

Capital Assets - The Township's property, plant and equipment with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Capital assets are depreciated over the following useful lives:

Buildings and building improvements	40 years
Land improvements	20 years
Vehicles	5 years
Machinery and equipment	5-10 years
Fixtures	10 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Township followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township supervisor submitted to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget included proposed expenditures and the means of financing them.
2. A public hearing was held at an announced special board meeting to obtain taxpayer comments.
3. The budget was legally adopted on March 29, 2005.
4. The Township Board authorizes all budgetary revisions throughout the fiscal year.
5. Formal budgetary integration is employed as a management control device during the year for all governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - DEPOSITS AND INVESTMENTS

State statutes authorize the Township to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Township Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

The Township has designated six financial institutions for the deposit of its funds. The Township's deposits and investment policies are in accordance with statutory authority. The Township's cash and investments are subject to several types of risk. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. At year-end, the Township had \$185,288 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of F.D.I.C. and N.C.U.A. insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

NOTE D - PROPERTY TAXES

Property taxes were levied by the Township on December 1 on the taxable valuation of property as of the preceding December 31. Property taxes become a lien on the property at December 1 and are considered due and payable the following February 28. Taxes become delinquent on March 1.

The 2005 state equalized valuation of the Township totaled \$51,012,500 (taxable value \$38,194,842), on which taxes levied consisted of 1.3260 Mills for operating purposes and 2.000 Mills for the fire and roads.

The entire property tax administration fee is paid to the Township treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance 4/1/2005	Additions	Deletions	Balance 3/31/2006
Governmental activities				
Land	\$ 128,815	\$ -	\$ -	\$ 128,815
Land improvements	68,259	11,091	-	79,350
Buildings	200,683	-	-	200,683
Machinery and equipment	64,754	950	-	65,704
Vehicles	28,854	-	-	28,854
Fixtures	7,243	-	-	7,243
Subtotal	498,608	12,041	-	510,649
Accumulated depreciation	236,773	19,615	-	256,388
Net capital assets	\$ 261,835	\$ (7,574)	\$ -	\$ 254,261

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 14,188
Cemetery	5,063
Recreation	364
Total	\$ 19,615

NOTE F - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds and are composed of the following:

Due from	Due to	
Cemetery Fund	Perpetual Care Fund	\$ 134
Perpetual Care Fund	Cemetery Fund	150
	Total	\$ 284

Individual fund operating transfers for fiscal year 2006 were as follows:

Transfers In	Transfers Out General Fund
Fire & Roads Fund	\$ 10,000
Cemetery Fund	20,000
Totals	\$ 30,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - COMMITMENT

The Township Board has entered into an Inter-Governmental Fire Protection Agreement with the City of Norway. The City agrees to furnish fire department service protection within the Township. Fire protection expenditures under this agreement for fiscal year 2006 was \$45,636. The agreement renews annually and can be terminated by either party. The Township's contribution amount is recomputed annually based upon an agreed-upon formula.

NOTE H - GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the March 31, 2006 financial report include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Township's activities, including reporting infrastructure assets (roads, bridges, etc.), if applicable.

A change in the fund financial statements to focus on the major funds.

Infrastructure assets were not included in the financial statements for 2006 as they are reported on a prospective basis. There were no infrastructure asset additions in 2006. Capital assets, previously reported in the General Fixed Asset Account Group, were included in the Statement of Net Assets.

TOWNSHIP OF NORWAY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2006

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Property taxes	\$ 46,900	\$ 46,900	\$ 50,422	\$ 3,522
State shared revenues	138,000	138,000	137,979	(21)
Interest	3,000	3,000	3,109	109
Other	6,650	6,650	25,354	18,704
Total revenues	194,550	194,550	216,864	22,314
Expenditures				
General government				
Township Board	15,508	16,508	16,007	501
Supervisor	13,350	13,350	13,041	309
Elections	2,925	2,925	1,449	1,476
Assessor	16,420	16,420	15,864	556
Clerk	14,600	14,600	14,106	494
Board of Review	1,500	1,500	900	600
Treasurer	18,200	21,000	20,597	403
Township Hall	15,804	18,804	18,228	576
Zoning	10,740	10,740	8,104	2,636
General government	52,060	46,060	41,383	4,677
Total general government	161,107	161,907	149,679	12,228
Sanitation - Sanitary landfill	1,000	1,000	794	206
Street lighting	20,000	20,000	18,696	1,304
Recreation	6,700	6,700	1,748	4,952
Capital outlay				
General	5,000	5,000	-	5,000
Parks and recreation	45,000	45,000	11,091	33,909
Total capital outlay	50,000	50,000	11,091	38,909
Total expenditures	238,807	239,607	182,008	57,599
Excess of revenues over (under) expenditures	(44,257)	(45,057)	34,856	79,913
Other financing (uses) - Operating transfers out	(82,700)	(81,900)	(30,000)	51,900
Net change in fund balance	(126,957)	(126,957)	4,856	131,813
Fund balance - Beginning of year	269,121	269,121	269,121	-
Fund balance - End of year	\$ 142,164	\$ 142,164	\$ 273,977	\$ 131,813

TOWNSHIP OF NORWAY**REQUIRED SUPPLEMENTAL INFORMATION****BUDGETARY COMPARISON SCHEDULE - FIRE AND ROADS FUND****YEAR ENDED MARCH 31, 2006**

	<u>Original Budget*</u>	<u>Actual</u>	<u>Variance With Original Budget</u>
Revenues			
Property taxes	\$ 67,200	\$ 76,708	\$ 9,508
State shared revenues	-	4,018	4,018
Interest	550	906	356
Total revenues	67,750	81,632	13,882
Expenditures			
Public transportation	49,000	33,979	15,021
Public safety	60,000	54,816	5,184
Total expenditures	109,000	88,795	20,205
Excess of revenues (under) expenditures	(41,250)	(7,163)	34,087
Other financing sources - Operating transfers in	41,250	10,000	(31,250)
Net change in fund balance	-	2,837	2,837
Fund balance - Beginning of year	18,990	18,990	-
Fund balance - End of year	\$ 18,990	\$ 21,827	\$ 2,837

* No amendment required during current fiscal year.

TOWNSHIP OF NORWAY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND
YEAR ENDED MARCH 31, 2006

	<u>Original Budget*</u>	<u>Actual</u>	<u>Variance With Original Budget</u>
Revenues			
Charges for services	\$ 25,000	\$ 37,342	\$ 12,342
Other	11,500	11,045	(455)
Interest	200	402	202
Total revenues	36,700	48,789	12,089
Expenditures			
Charges for services	77,150	67,310	9,840
Capital outlay	6,000	950	5,050
Total expenditures	83,150	68,260	14,890
Excess of revenues (under) expenditures	(46,450)	(19,471)	26,979
Other financing sources - Operating transfers in	46,450	20,000	(26,450)
Net change in fund balance	-	529	529
Fund balance - Beginning of year	5,832	5,832	-
Fund balance - End of year	\$ 5,832	\$ 6,361	\$ 529

* No amendment required during current fiscal year.